No. 46-10

THE GOVERNMENT OF ONTARIO COMMISSION ON TAXATION

a submission by

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THE CANADIAN ARTHRITIS AND RHEUMATISM SOCIETY

ONTARIO DIVISION

1. This submission deals with three subjects:

(i) Fellowships;

(ii) Deductions from personal income with respect to disabled dependents;

(iii) An amendment tothe Excise Tax Act with respect to exemption to certain drugs.

Fellowships

2. It is the practice of The Department of National Revenue to treat fellowships awarded by The Canadian Arthritis and Rheumatism Society (and no doubt by other Societies) as gifts, and thus they are not subject to personal income tax in the hands of the recipients. This is an extremely valuable provision, enabling the Society to grant more fellowships than would be the case were the stipend subject to personal income tax, which would necessitate the payment of a higher stipend.

3. The Society commends the Department for this practice and urges its continuation by whatever method seems most appropriate, e.g. an amendment to the income tax act or by sustaining the current administrative practice.

4. The Society believes that a distinction should be drawn between fellowships on the one hand and research associateships and research assistants on the other. In the Society's view the following criteria determine the bona fides of a fellowship:

(i) That the sole objective of the fellowship should be the training of the recipient in research or specialist methods and techniques;

(ii) That there should be no contractual obligation between the giver and the receiver of the fellowship;

(iii) That recipients should be selected on merit following open competition.

5. In the case of research associateships, assistants and technicians, they are employed because of the particular skills they have already acquired and they make contributions to knowledge and education which cannot be readily differentiated from those of other persons employed in academic, governmental and industrial research institutions.

6. The Society wishes to make it clear, therefore, that it recommends that only stipends attaching to bona fide fellowships for research and graduate training should continue to be exempt from income tax.

Deductions from Personal Income with Respect to Disabled Dependents

7. Section 27 (1)(D) permits a disabled person (as defined in that section) a deduction of $500 in calculating his taxable income. It is recommended that where the disabled person himself does not qualify for this deduction the same deduction in calculating taxable income should be allowed to the tax payer upon whom the disabled person is actually dependent, regardless of the degree of relationship between the tax payer and the dependent.

An Amendment to the Excise Tax Act with Respect to the Exemption of Certain Drugs

8. Under the provisions of Section 32(1) and of Schedule III of the Excise Tax Act, R. S. C. 1952, chapter 100, the drug cortisone is exempt from sales tax. The Society recommends an amendment to the act, substituting the term 'adrenal cortico-steriods' for the term 'cortisone'.

9. Since cortisone was first introduced some fifteen years ago, continuing scientific research has produced new drugs which are closely related to cortisone biochemically, but which are markedly superior in many respects, and are frequently less dangerous to the patient. These new drugs include: hydrocortisone, prednisone, prednisolone, 6.-methyl-prednisolone, 9.-alpha-fluoro, 16.-alpha-hydroxyprednisolone and triamcinolone. Each of these may be fairly regarded as a development or improvement upon the original. All of them, including cortisone itself, belong to the biochemical family known as adrenal cortico-steroids.

10. The Society is not arguing the general case that drugs should be relieved of sales tax. Our concern is that, although cortisone is relieved of sales tax, the newer and improved developments of this drug now bear the tax. Accordingly, tax considerations place these improved drugs at a relative disadvantage, a situation which is both illogical and detrimental to the welfare of sick people.

Respectfully submitted,

(Signed) D. S. Anderson,
President.